

To Our Members



Last year marked the 20th anniversary of the Modern REIT Era, which began with the IPO of Kimco Realty Corp. in 1991. A year later, Taubman Centers followed with the first UPREIT IPO. In the years that followed, the REIT industry was transformed from a small corner of the world of real estate investment into a significant part of the real estate

community. With 71 companies in the S&P Indexes—including 16 in the S&P 500—the REIT industry also has become an important part of the corporate community in America as well as increasingly around the world.

Our industry's recovery from the Great Financial Crisis continued apace in 2011. REIT total returns rose approximately 8 percent for the year, outpacing the S&P 500's approximately 2 percent gain. U.S. Equity REITs now have outperformed the S&P 500 for the past 1-, 3-, 10-, 15-, 20-, 25-, 30-, 35-, and 40-year periods.

The U.S. listed REIT industry completed 2011 with an equity market capitalization of \$451 billion, up 16 percent from \$389 billion at the end of 2010, quite a distance from its \$13 billion market capitalization 20 years ago at the end of 1991.

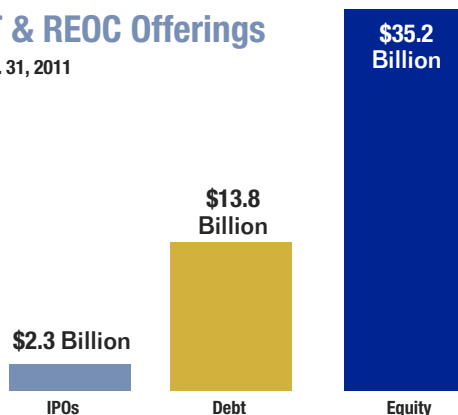
Globally, gains in North America could not offset losses posted in Europe and Asia as the FTSE EPRA/NAREIT Global Real Estate Index dropped 8 percent for the year. Overall, the equity market capitalization of the global listed property market fell 8.3 percent in 2011 to just over \$1 trillion.

Access to the public capital markets, which was so critical to the U.S. industry's expansion in the first decade of the Modern REIT Era and to its recovery from the financial crisis in its second decade, continued to support its growth in 2011.

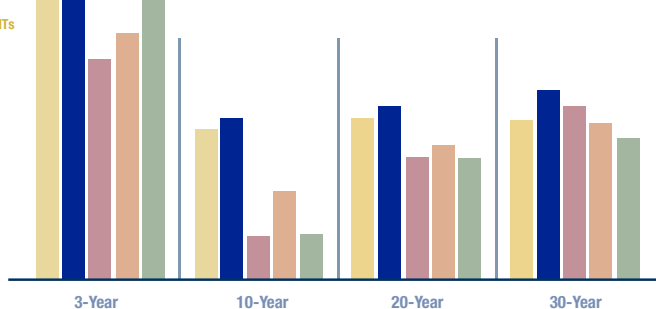
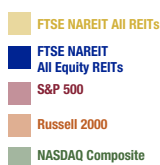
U.S. REITs raised a record amount of capital in the public markets last year, including a record amount of equity. Listed REITs raised a total of \$51.3 billion in public equity and debt—more than the \$49 billion raised in the previous record year of 2006. Additionally, despite turbulent stock markets, \$37.5 billion of the capital raised in the year was in public equity, compared with \$22 billion in 2006 and \$32.7 billion in 1997—the prior record year for REIT equity offerings.

2011 REIT & REOC Offerings

Data Through Dec. 31, 2011



Historical Compound Annual Returns



Public capital market access allowed REITs to again be active acquirers of properties in 2011, as they were in 2010, while still maintaining moderate leverage of approximately 41 percent, the industry's historical average, at year-end.

The REIT industry enters the third decade of the Modern REIT Era with the track record, financial strength and flexibility to continue its growth, as well as to meet the challenges that may lie ahead.

This issue of *REITWay* reviews the key events of the past year, as well as the work NAREIT undertook to preserve, perfect and promote the REIT approach to real estate investment. We hope you find it informative and useful.

All the best,

Steven A. Wechsler

Policy & Politics:

Preserving and Perfecting the REIT Approach to Real Estate Investment



Tony Edwards, EVP &
General Counsel

With economic turbulence around the globe starting to subside, NAREIT set its focus last year on a number of initiatives arising from and in the **aftermath of the Great Financial Crisis**. To that end, NAREIT's Policy & Politics team worked last year to ensure that the **voice of REITs** was heard by policymakers on a number of regulatory and legislative measures.

NAREIT held ongoing dialogues with **key congressional committees**, including the

House Ways and Means Committee and the Senate Finance Committee, to help inform decisions on issues ranging from **cross-border investment** in U.S. commercial real estate assets to **state sales tax collection** to possible modernization of the **REIT tax rules**. NAREIT also worked with the Securities and Exchange Commission, the Federal Reserve Board, the Financial Industry Regulatory Authority and the Treasury Department on a series of proposals pertinent to REITs, such as credit risk retention rules and the regulation of mortgage and public, non-listed REITs.

It was also an active year on the **financial standards** front, as NAREIT held meetings with, and made numerous submissions to, the Financial Accounting Standards Board and International Accounting Standards Board to discuss directives for **lease accounting, investment property entities and investment companies**.

As the **national elections** approach in the fall, the Policy & Politics team looks forward to the opportunity to continue educating and informing both old and new faces in Washington about the REIT approach to real estate investment.

FIRPTA



Menendez



Enzi

NAREIT's Policy & Politics team continued to press policymakers to revise the **Foreign Investment in Real Property Tax Act of 1980 (FIRPTA)**. On Sept. 22, Sens. Robert Menendez (D-NJ) and Michael Enzi (R-WY) introduced S. 1616, the Real Estate Jobs

and Investment Act, in the Senate to make two significant **reforms to the Foreign Investment in Real Property Tax Act (FIRPTA)** to encourage greater equity investment in U.S. commercial real estate from investors outside the U.S.

Twenty-two senators (including a majority of the Senate Finance Committee) have sponsored S. 1616. Companion bipartisan legislation, H.R. 2989, was introduced on Sept. 21, in the U.S. House of Representatives by Reps. Kevin Brady (R-TX) and Joseph Crowley (D-NY). Both measures would increase from 5 to 10 percent the amount of stock minority non-domestic shareholders can hold in publicly traded real estate companies, like REITs, without incurring the additional taxes caused by FIRPTA. They would also reverse a 2007 IRS Notice to once again allow redemptions and liquidating distributions of REITs to be treated the same as sales of stock rather than as sales of real estate.

Marketplace Fairness Act

On Nov. 9, a bipartisan group of 10 senators, led by Sen. Michael Enzi (R-WY), along with Sens. Lamar Alexander (R-TN) and Dick Durbin (D-IL), introduced the **Marketplace Fairness Act, S. 1832**. The Marketplace Fairness Act would allow "member states" under the Streamlined Sales and Use Tax Agreement (SSUTA) and states that had adopted a minimum set of simplification requirements to mandate that **all sellers collect sales and use taxes** on retail sales whether they occur at storefronts, over the Internet or through catalogues. The bill contains a "small seller" exemption for those sellers with less than \$500,000 in remote sales annually.

The Marketplace Fairness Act is supported by a wide coalition, including NAREIT, the National Governors Association, the National Conference of State Legislatures, the National Retail Federation, the International Council of Shopping Centers, the Retail Industry Leaders Association, and, notably, online retailer Amazon.

Public, Non-Listed REITs

In November, NAREIT submitted comments which reflect the consensus of **NAREIT's Public, Non-Listed REIT Council** in response to FINRA Regulatory Notice 11-44: **FINRA Requests Comment on Proposed Amendments to NASD Rule 2340 to Address Values of Unlisted Direct Participation Programs and Real Estate Investment Trusts in Customer Account Statements**.



Dan Goodwin
Chair PNLR
Council

Policy & Politics:

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Preserving and Perfecting the REIT Approach to Real Estate Investment

Financial Standards



NAREIT remained engaged with officials at FASB and IASB throughout

the year on rules related to lease accounting, investment property entities and investment companies. In addition to numerous written submissions in response to requests for comment, NAREIT held a number of meetings with both boards to discuss the issues. Additionally, NAREIT teamed with its partners in the Real Estate Equity Securitization Alliance (REESA) on multiple occasions for submissions and meetings with both boards.

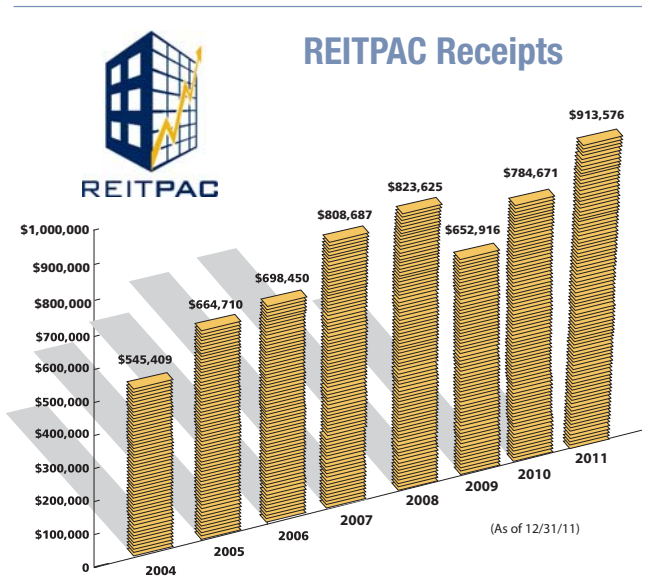
Mortgage Pools and the 1940 Act

In November, NAREIT filed a submission in response to an SEC Concept Release in which the SEC requested comment on interpretive issues regarding the exclusion found in Section 3(c)(5)(C) of the Investment Company Act of 1940 for issuers primarily engaged in

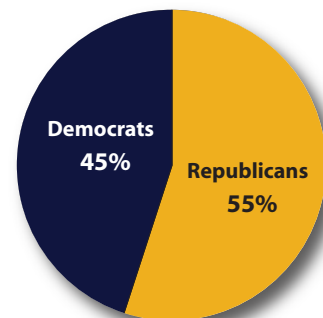
“purchasing or otherwise acquiring mortgages and other liens on and interests in real estate.” NAREIT’s submission highlights the important role residential and commercial mortgage REITs can play in addressing many of the policy challenges facing U.S. real estate markets, while also presenting a comprehensive analysis of the investor protections inherent in the regulatory framework currently governing these companies. NAREIT also joined 12 other real estate trade associations in a joint comment letter on this issue.

Credit Risk Retention

In August, NAREIT filed a comment letter with federal banking regulators and the SEC on the proposed rule for reduced credit risk retention associated with CMBS securities pursuant to the Dodd-Frank legislation. The proposal would bar any loan to a REIT from being eligible to qualify for zero credit risk retention even if the loan met stringent underwriting standards prescribed in the Proposed Rule. NAREIT’s letter, which followed meetings conducted at the FDIC, Federal Reserve, the Department of the Treasury and SEC, urged the agencies to amend the final rule to treat a loan to a REIT the same as a loan to any other commercial real estate borrower.



2011- 2012 REITPAC Disbursements



(As of 12/31/11)

Research & Investor Outreach:

Analyzing and Presenting the REIT Investment Proposition



Michael Grupe, EVP,
Research & Investor
Outreach

The REIT investment proposition is a compelling one and, in the past year, NAREIT's Investor Outreach staff actively presented it to the investment community. Investor Outreach staff members were on the road every week, **making the case for REITs** in meetings with investment decision makers for major retirement plans, investment advisory and consulting firms.

The direct outreach effort was supported with communications that presented **the REIT story** through editorial coverage in the

financial media, advertising, industry forums and through NAREIT's own online and print publications, while a broad-ranging program of internal and sponsored research provided a strong foundation for all of the group's activities.

Notable Investor Outreach Initiatives Include:

During 2011, NAREIT's Investor Outreach team conducted **317 meetings** with many of the largest and most **influential investment organizations** within the institutional investment marketplace. Collectively, these entities represent more than **\$30 trillion in assets** under management or advisement. By comparison, NAREIT conducted 253 such meetings in 2010.

The 317 meetings were with organizations across all targeted investment cohorts, including: 98 with prominent domestic and international pension, retirement, and sovereign wealth fund plan

sponsors representing more than **\$2 trillion in assets**; 57 with investment consultants with assets under advisement of more than **\$9 trillion**; and 146 with investment managers representing close to \$18 trillion of assets under management and sponsoring global and domestic products for the institutional and retail investor market.

NAREIT was also active on the institutional investment **conference circuit** in 2011, participating in **30 events** and speaking at 10.

In 2011, NAREIT planned and launched a **strategic marketing communications campaign** to promote NAREIT's white paper on advantages of

blending REITs with private equity real estate investment in institutional portfolios. An important aspect of this campaign was the **Real Estate Portfolio Optimizer**, which illustrated the benefits of adding larger REIT allocations to a portfolio of private real estate.

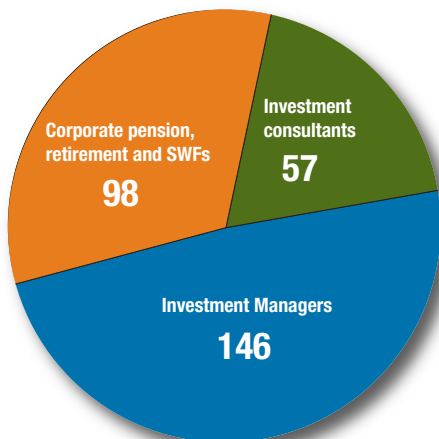


NAREIT's internal research resulted in several new analyses focusing on the investment characteristics of publicly traded REITs and private real estate investment alternatives. One study demonstrated that, over the longer investment horizons typical of most real estate investors, REITs have a **very low correlation** with the broad market, implying that the benefits of **diversification** through REITs may be substantially greater than many investors realize. Another study showed that the total general and administrative **expenses of listed REITs is dramatically less** than is typical for **private equity real estate investment funds**; moreover, incentive compensation packages typical of listed REITs closely align incentives for investors and executive management.

On the **sponsored research** front, NAREIT completed an important analysis with **Wilshire Associates** illustrating the consistent role of REITs in all **target date portfolios**, the fastest growing investment product in the defined contribution market. NAREIT also is now working with Wilshire Associates to analyze and compare the **investment performance of pension funds** with respect to the public and private real estate investment policies of such funds.



Investor Outreach Meetings Breakdown



Research & Investor Outreach:

Analyzing and Presenting the REIT Investment Proposition

NAREIT continues to use **social media** as a way to expand the REIT conversation. At the end of 2011, NAREIT had more than **4,300** Twitter ([@REITs_NAREIT](#)) followers, more than **10,000** monthly post views on Facebook ([NAREIT](#)), and more than **2,500** monthly video views on YouTube ([NAREIT1](#)).

In 2011, NAREIT produced nearly **300 video interviews** with REIT CEOs and industry professionals for [REIT.com](#). The REIT.com video team attended more than a dozen industry conferences, including the European Public Real Estate Association conference in London.

twitter

facebook

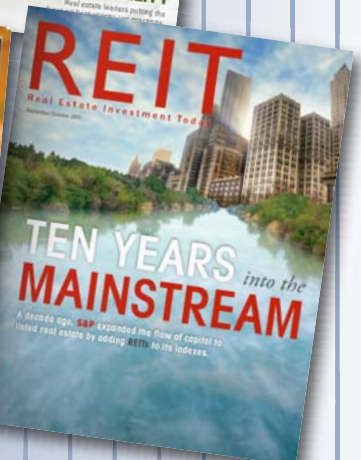
YouTube
Broadcast Yourself™

REIT.com

Videos

REIT Magazine:

Real Estate Investment Today



Finance & Operations:

Operating in a “New Normal” Environment



Sheldon Groner,
EVP, Finance &
Operations

NAREIT's 2011 budget assumed revenue of \$18.3 million and “baseline” expenses of \$18.3 million to project a break-even scenario. In addition, the 2011 budget provided for up to \$500,000 for contingent spending on special initiatives in the Investor Outreach area.

Final results for 2011 were revenue of roughly \$19 million, or 4 percent greater than budget; expenses of roughly \$19.3 million, or 5 percent greater than budget; and a net deficit of roughly (\$300,000). The \$19.3

million in 2011 expenses reflected the use of roughly \$400,000 for contingent spending on special initiatives in the Investor Outreach area; out of the \$500,000 which, as indicated above, had been authorized.

NAREIT Statement of Activities

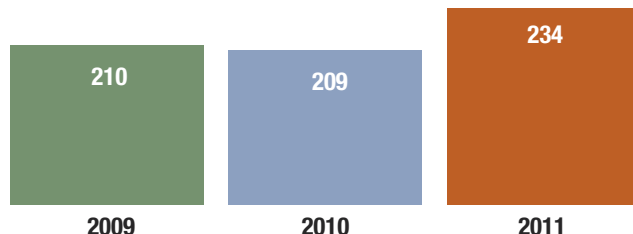
	2011 Audited
Revenues	
Membership Dues	\$10,955,000
Conferences	\$4,123,000
Royalties	\$3,131,000
Advertising	\$455,000
Investment Income	\$273,000
Publication Sales/Other	\$112,000
<i>Total Revenues</i>	<i>\$19,049,000</i>
Expenses	
Policy & Politics	\$5,699,000
Investor Outreach	\$6,745,000
Finance & Operations	\$6,875,000
<i>Total Expenses</i>	<i>\$19,319,000</i>
Net	-\$270,000

New Members

During 2011, when there were only eight REIT IPOs in the U.S., among the lowest number in the past 10 years, NAREIT added a record **34 new corporate members**. These members consisted of nine publicly traded equity REITs, 16 public, non-listed REITs, five mortgage REITs, one private REIT, one public real estate operating company and two REITs based outside the U.S.

One of the reasons for this growth has been increasing participation and involvement by mortgage and public, non-listed REITs.

NAREIT Corporate Membership 2009-2011



President George W. Bush and Donald C. Wood at NAREIT's November Board of Governors Dinner.

Successful Meetings Schedule

NAREIT executed a successful meetings schedule in 2011 consisting of both large-scale, industry-wide conferences and small targeted gatherings. Among this year's highlights:

The **2,100** REIT executives, investors, bankers, analysts and other industry professionals that attended **REITWeek 2011**: NAREIT's Investor Forum® last June in New York City marked a record level of attendance at the annual event. One hundred companies delivered individual company presentations and the tenor in those sessions focused more on growth and opportunity than in recent years. There were more than **1,000 investors** at the event and the hotel was buzzing with activity.

More than **1,200** members of the REIT community gathered in Dallas in November for **REITWorld 2011**: NAREIT's Annual Convention for All Things REIT. REITWorld commemorated the 20-year anniversary of the Modern REIT Era. During the event, former President George W. Bush spoke to NAREIT's Board of Governors.

Award Winners:

Recognizing Member Excellence

Each year, NAREIT recognizes the achievements and contributions of its members and noted industry professionals. Recent award recipients were:

REITPAC Awards

The **Inland Real Estate Group of Companies, Inc.** received the 2011 REITPAC Leadership and Teamwork awards. The Leadership Award goes to the company whose employees contributed the most funds to REITPAC in 2011. The Teamwork Award recognizes the company that provided funds from the largest number of individuals during the year.



Industry Leadership and Achievement Awards



Rising

NAREIT presented its 2011 Industry Leadership Award to **Nelson Rising**, chairman of Rising Realty Partners, and its 2011 Industry Achievement Award to **Theodore Bigman**, managing director and global head of real estate at Morgan Stanley Investment Management.

The NAREIT Industry Leadership Award is presented annually to a REIT executive who has made a significant and lasting contribution to the growth and betterment of the industry. The award is presented in memory of **Edward H. Linde**, the late CEO of Boston Properties.

Rising was recognized for a range of contributions to the REIT and broader commercial real estate industries spanning four decades.

The NAREIT Industry Achievement Award is presented annually to professionals serving the REIT industry whose acumen and integrity have helped heighten awareness and understanding of the value of REITs and publicly traded real estate. The award is presented in memory of **E. Lawrence Miller**, the former CEO of one of the industry's first REITs, Bradley Real Estate Trust, and a past NAREIT Chair.



Bigman

NAREIT recognized Bigman for his approach to securities research on listed real estate companies, which has been influential in making REITs a standard component of institutional real estate portfolios. [CLICK HERE](#) for more on the recipients.

Small Investor Empowerment Award

Senator Kent Conrad (D-ND) received NAREIT's 2012 Small Investor Empowerment Award. The Small Investor Empowerment Award was established on behalf of those people who invest in, are employed by, or derive other benefits from REITs and publicly traded real estate companies. The award recognizes public servants who have demonstrated exceptional commitment to the



Conrad

ideals of free enterprise, economic growth, personal freedom and unlimited opportunity for all Americans.

Investor CARE Awards



Joe Macnow
Vornado Realty

NAREIT's Investor CARE Awards honor communications and reporting excellence. The Gold Award in the Management Discussion and Analysis category went to **Vornado Realty Trust**. The Silver Award was awarded to **Health Care REIT**, and **Realty Income Corporation** and **Ventas, Inc.** tied for the Bronze Award.

In the Presentation and Design category, **Host Hotels & Resorts** received the Gold Award, followed by the Silver Award-recipient **Federal Realty Investment Trust** and **Corporate Office Properties Trust**, which received the Bronze Award.



Brian Macnamara
Host Hotels



Whitney Kanter
Regency Centers

The Gold Award in the Website category went to **Regency Centers Corporation**. The Silver Award went to **American Campus Communities**, while **BioMed Realty Trust, Inc.** received the Bronze Award.

Leader in the Light Awards

NAREIT's annual [Leader in the Light Awards](#), which are presented in cooperation with the U.S. Environmental Protection Agency's ENERGY STAR program, honor NAREIT member companies that have demonstrated superior and sustained energy use practices.



In the Large Cap category, the Gold Award was presented to **Vornado Realty Trust**.

The Silver Award was presented to **Simon Property Group**. The Bronze Award was presented to **ProLogis**. The Honorable Mention Award in the Large Cap category was presented to **Macerich**, and the Innovator Award went to **HCP**.

In the Mid-to-Small Cap category, the Gold Award was presented to **Liberty Property Trust**; the Silver Award went to **Brandywine Realty Trust**; and the Bronze Award was won by **Wells Real Estate Funds**. The Honorable Mention Award was presented to **Thomas Properties Group**, and the Innovator Award went to **Cousins Properties**.



New this year, NAREIT presented a Newcomer of the Year Award to the highest ranking first-time applicant and a Long Term Achievement Award for dedication to sustainability improvements over multiple application years. The Newcomer of the Year Award was won by **Extra Space Storage**, and the Long Term Achievement Award was presented to **Simon Property Group**.

Meetings Calendar

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2012 NAREIT Meetings & Events

Feb. 28-29

Washington Leadership Forum

St. Regis
Washington, DC

March 21-23

REITWise®: NAREIT's Law, Accounting & Finance Conference

Westin Diplomat
Hollywood, FL

June 12-14

REITWeek®: NAREIT's Investor Forum®

Hilton New York
New York, NY

Sept. 24 - 25

Senior Financial Officers/ Investor Relations Officers Workshop

Fairmont Copley Plaza
Boston, MA

Nov. 13-15

REITWorld®: NAREIT's Annual Convention for All Things REIT®

Manchester Grand Hyatt
San Diego, CA



NAREIT Officers and Members of the Executive Board

(from left to right): NAREIT First Vice Chair **W. Edward Walter**, president and CEO of Host Hotels & Resorts, Inc.; NAREIT Chair **Donald C. Wood**, president and CEO of Federal Realty Investment Trust; **Steven Wechsler**, president and CEO of NAREIT; NAREIT Treasurer **Michael D. Fascitelli**, president and CEO, Vornado Realty Trust; NAREIT Second Vice Chair **Ronald L. Havner**, vice chairman and CEO of Public Storage.

NAREIT Executive Board

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Rick R. Holley

Plum Creek Timber Company, Inc.

Debra A. Cafaro

Ventas, Inc.

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Annaly Capital
Management, Inc.

Thomas W. Toomey

UDR, Inc.

Edward J. Fritsch

Highwoods Properties, Inc.

For more information on
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